

**CALIFORNIA ENERGY COMMISSION**1516 NINTH STREET  
SACRAMENTO CA 95814-5512

June 19, 2008

To All Retail Providers:

**Subject: Reducing Consumer Confusion Caused by the Power Content Label Information**

I want to thank you for complying with the Power Content Label disclosure requirements of Senate Bill 1305 (Sher, Statutes 1997, Chapter 796). Specifically, this law requires retail providers of electricity to report the specific fuel types purchased from generators to the California Energy Commission (Energy Commission), and for providing rate payers with this information on a Power Content Label. Based on the information supplied by retail providers for the 2006 reporting period, the Energy Commission adopted the 2007 Net System Power Report at its April 16, 2008 Business Meeting.

As I am sure you are aware, the original intent of the Power Content Label was to provide customers with information detailing the generation sources used by their energy service provider as compared to an average of other providers' supply sources. However, since the statute and associated regulations defining the format and content of the power content label were implemented, the "average provider's supply sources," which are based on net system power, no longer represent a meaningful basis for comparison. At the time the regulations were written it was expected that net system power would remain a high proportion of total electricity sales, but it has subsequently declined and only represents a small amount of purchases. Therefore, the information provided on the power content label based on net system power has become less and less reflective of actual purchases. Consequently, stakeholders, citizens, and Commissioners have all expressed concerns over the use of Net System Power on Power Content Labels. The specific concern being the listing of Net System Power on Power Content Labels as the "CA Power Mix," which, as the above discussion illustrates, is now misleading to consumers (i.e., Net System Power does not represent all of the generation sold in California).

In addition to the above, the use of Net System Power to estimate greenhouse gas (GHG) emissions has also become an issue. However, because net system power estimates are not representative of the actual power mix used in California, they cannot be used to monitor the progress of the California Renewable Portfolio Standard or establish a representative greenhouse gas profile of electricity imports.

Despite the above problems with data use, as stated above, the statute still requires that the Energy Commission adopt an annual report calculating net system power (Public Utilities Code Section 398.5(3)(f)), and that retail electricity suppliers report the most recently available Net System Power Values on their Power Content Labels (Public Utilities Code Section 398.4 (g)(1)). In an effort to make this information as accurate and useful as possible, the Energy Commission provided guidance in the 2007

Net System Power Report regarding how retail suppliers could provide more accurate information on their power content label. A summary of the 2007 Net System Power Values and recommended changes on how to report Net System Power follow.

### **2007 Net System Power Values:**

Net system power is the mix of electricity for which there is no identifiable tie between the California load-serving entities and any particular electric generator. Net system power is determined by subtracting self-generation and retail providers' specific claims of generation from "Total System Power," (i.e. all of the generation consumed by customers in California). The percentages in the Net System Power table (see below) are given to the nearest tenth of a percent to increase the accuracy when calculating a product-specific fuel mix, but please note that the percentages should be rounded to the nearest whole percent when appearing in the Power Content Label.

The *2007 Net System Power Report* describes the concerns mentioned in the above discussion and other concerns about the Net System Power values. The complete report, *2007 Net System Power Report* is available on the Energy Commission's web site at <http://www.energy.ca.gov/2008publications/CEC-200-2008-002/CEC-200-2008-002-CMF.PDF>. Below are the 2007 Net System Power values.

<b>Fuel Type</b>	<b>2007 Net System Power</b>
Eligible Renewable	9.6%
-Biomass & waste	0.1%
-Geothermal	2.3%
-Small hydroelectric	5.7%
-Solar	0.0%
-Wind	1.5%
Coal	31.9%
Large hydroelectric	24.0%
Natural gas	31.4%
Nuclear	3.1%
Other	0.0%
Total	100.0%

### **Recommended Reporting Changes for Retail Electricity Suppliers**

To reduce potential public confusion over the meaning of the data disclosed in the power content label, the Energy Commission encourages retail providers, at their discretion, to:

1. Publish the 2007 Total System Power values (shown below) in addition to and in close proximity to their Power Content Label.

2. Add notes outside the Label that clarify the distinction between the “CA Power Mix” and “Total System Power” and convey the relative shares of California’s generation mix each represents.
3. **Do not** utilize the 2007 Total System Power values for representing the content of a particular product. Additionally, **do not** insert the 2007 Total System Power values in the column entitled, “2007 CA Power Mix.” Please utilize the 2007 Net System Power values, as shown on the previous page, for these purposes.

Fuel Type	2007 Total System Power
Eligible Renewable	11.8%
-Biomass & waste	2.1%
-Geothermal	4.4%
-Small hydroelectric <sup>1</sup>	2.8%
-Solar	0.2%
-Wind	2.3%
Coal	16.6%
Large hydroelectric	11.7%
Natural gas	45.1%
Nuclear	14.8%
Other	0.0%
Total	100.0%

Based on the above recommendations, I have attached two sample labels featuring the 2007 Net System Power mix. The top graphic is an example of a label for a company *not making specific purchase claims*. The bottom graphic is an example of a label for a company claiming 50 percent specific purchases (as evidenced in the first footnote) and 50 percent generic purchases (i.e., anything but specific purchases). In this case, the specific purchases are all renewable power sources. For ease in calculating a product-specific fuel mix, the Power Content Label Calculator has been updated to reflect the 2007 Net System Power values. This Excel template can be downloaded from the web site listed on page 2 of this letter.

### **2007 Reporting Reminder**

Retailers which do not have access to data for specified purchases from generators can use the “Net System Power” data published by the Energy Commission to meet their reporting requirements. However, all future retailer quarterly and promotional disclosures should reflect the above updated percentages for Net System Power until April 15, 2009, at which time a revised Net System Power mix will become available. The Energy Commission’s regulations require the term “CA Power Mix” be used to describe Net System Power, as shown on page 2 of this letter, in the right-hand column of the Power Content Label.

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<sup>1</sup> Small hydro is less than 30 MW. Not all small hydro qualifies for the Renewables Portfolio Standard (RPS). For more information on the RPS, please visit [<http://www.energy.ca.gov/2007publications/CEC-300-2007-006/CEC-300-2007-006-ED3-CMF.PDF>].

If you have not submitted copies of your quarterly and/or annual Power Content Labels for 2007 or your 2007 Annual Retail Providers Report (if you are claiming specific purchases), please mail them to:

Lorraine Gonzalez  
California Energy Commission  
1516 9<sup>th</sup> Street, MS-4  
Sacramento, CA 95814

In addition to the hard copies, please email your Power Content Labels and Annual Reports to [lgonzale@energy.state.ca.us](mailto:lgonzale@energy.state.ca.us). The recommended format for the Annual Report (including the form for the attestation) is available as an Excel file that can be downloaded from the Energy Commission's web site listed above. Also, the audits that verify the 2007 Power Content Labels and 2007 Annual Reports were due to the Energy Commission on June 1, 2008 and should have been mailed and emailed to these addresses as well.

As always, Energy Commission staff is available to answer any of your questions. Questions should be directed to Lorraine Gonzalez, staff to the Renewable Energy Program, at (916) 654-5997, or at [lgonzale@energy.state.ca.us](mailto:lgonzale@energy.state.ca.us). Also, you may contact me directly at (916) 654-5168, or [mleaon@energy.state.ca.us](mailto:mleaon@energy.state.ca.us).

Sincerely,

Michael R. Leao, Supervisor  
Integrated Energy and Climate Change Unit  
Renewable Energy Program

cc: Sylvia Bender  
Valerie Hall  
Al Alvarado  
Mark Hutchison  
Heather Raitt  
Mike Leao  
Lorraine Gonzalez  
Jason Orta

# ATTACHMENT

POWER CONTENT LABEL		
ENERGY RESOURCES	PRODUCT NAME* (projected)	2007 CA POWER MIX** (for comparison)
<b>Eligible Renewable</b>	<b>10%</b>	<b>10%</b>
-- Biomass & waste	<1%	<1%
-- Geothermal	2%	2%
-- Small hydroelectric	6%	6%
-- Solar	<1%	<1%
-- Wind	2%	2%
<b>Coal</b>	<b>32%</b>	<b>32%</b>
<b>Large Hydroelectric</b>	<b>24%</b>	<b>24%</b>
<b>Natural Gas</b>	<b>31%</b>	<b>31%</b>
<b>Nuclear</b>	<b>3%</b>	<b>3%</b>
<b>Other</b>	<b>0%</b>	<b>0%</b>
<b>TOTAL</b>	<b>100%</b>	<b>100%</b>
<p>* 0% of <b>Product Name</b> is specifically purchased from individual suppliers.</p> <p>** Percentages are estimated annually by the California Energy Commission based on electricity sold to California consumers during the previous year.</p>		
<p>For specific information about this electricity product, contact Company Name. For general information about the Power Content Label, contact the California Energy Commission at 1-800-555-7794 or <a href="http://www.energy.ca.gov/consumer">www.energy.ca.gov/consumer</a>.</p>		

POWER CONTENT LABEL		
ENERGY RESOURCES	PRODUCT NAME* (projected)	2007 CA POWER MIX** (for comparison)
<b>Eligible Renewable</b>	<b>55%</b>	<b>10%</b>
-- Biomass & waste	10%	<1%
-- Geothermal	11%	2%
-- Small hydroelectric	13%	6%
-- Solar	10%	<1%
-- Wind	11%	2%
<b>Coal</b>	<b>16%</b>	<b>32%</b>
<b>Large Hydroelectric</b>	<b>12%</b>	<b>24%</b>
<b>Natural Gas</b>	<b>16%</b>	<b>31%</b>
<b>Nuclear</b>	<b>1%</b>	<b>3%</b>
<b>Other</b>	<b>&lt;1%</b>	<b>0%</b>
<b>TOTAL</b>	<b>100%</b>	<b>100%</b>
<p>* 50% of <b>Product Name</b> is specifically purchased from individual suppliers.</p> <p>** Percentages are estimated annually by the California Energy Commission based on electricity sold to California consumers during the previous year.</p>		
<p>For specific information about this electricity product, contact Company Name. For general information about the Power Content Label, contact the California Energy Commission at 1-800-555-7794 or <a href="http://www.energy.ca.gov/consumer">www.energy.ca.gov/consumer</a>.</p>		